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Protecting Americans from Tax Hikes Act of 2015 (PATH)

The protecting Americans from Tax Hikes Act of 2015, signed by the President on December 18, 2015, contains numerous extensions. The length of the extensions vary, as some tax provisions were extended through 2016, some through 2019 and some permanently.

Enhanced American Opportunity Tax Credit (Hope Credit). The American Opportunity Tax Credit (AOTC) is an enhanced version of the Hope Credit, allowing a credit of up to \$2500 for four years of post-secondary education. The new law makes this permanent.

Tuition and Fees Deduction The provision allowing an above-the-line deduction for tuition and fees paid for the taxpayer, spouse or dependents and claimed as an adjustment to income, was extended through 2016.

Enhanced Earned Income Credit (EIC) As an extender item, the EIC credit amount was temporarily increased for taxpayers with three or more children, and the marriage penalty was reduced by increasing phaseout ranges. The new law makes the enhanced EIC permanent.

Educator Expenses The new law makes the adjustment to income for qualified expenses of elementary and secondary school teachers permanent. The law also indexes the current expense cap of \$250 for inflation beginning in 2016.

State and Local General Sales Taxes The provision allowing an itemized deduction for state and local general sales taxes instead of state and local income taxes on Schedule A, Form 1040, the new law makes the provision permanent.

Charitable Contributions of IRA Distributions A qualified charitable contribution (QCD) from an IRA is nontaxable if made directly to an eligible charitable organization. This lowers the taxpayers adjusted gross income (AGI), reducing the negative effect of AGI phaseouts. The new Act makes this permanent.

Qualified Leasehold Improvements, restaurant and retail buildings and improvements Recovery periods for qualified leasehold improvements, restaurant buildings and improvements, and retail buildings and improvements were temporarily set at 15 years under extender legislation instead of requiring longer recovery periods. The 15-year recovery period for these assets was made permanent.

Enhanced Section 179 Expense A temporary Section 179 expense limit of \$500,000 and investment limit of \$2 million before phaseout was made permanent.

Special Depreciation Allowance The provision extends the special depreciation allowance for property acquired and placed in service during 2015 through 2019. The special depreciation percentage is 50% for property placed in service during, 2015, 2016 and 2017, and phases down to 40% in 2018 and 30% in 2019.

Discharge of Principal Residence Indebtedness The provision allowing the exclusion from income for discharge of qualified residence indebtedness was extended through 2016.

Itemized Deduction for Mortgage Insurance Premiums The provision allowing mortgage insurance premiums to be deducted as an itemized deduction, was extended through 2016.

Non Business Energy Property The credit for purchases of non business energy property was extended through 2016.

Additional Child Tax Credit-The refundable portion of the Child Tax Credit had an income threshold amount of \$10,000, indexed for inflation. The Act keeps the threshold at \$3000 permanently.

Additional Extender Items for Individuals Include:

- Increased monthly exclusion amount for transportation benefits.
- Charitable contributions of capital gain real property for conservation purposes.
- Exclusion for gain on sale of small business stock.
- Five-year recognition period for built-in gains for S corporations.

Additional Extender Items for Businesses Include:

- Extension of research and development tax credit (R&D).
- S corp basis adjustment from charitable contributions of property.
- Employer wage credit for active duty members of the uniformed services.
- Low-income housing credit rates for non-federally subsidized buildings.
- Military house allowance exclusion for low-income housing tax credit buildings.
- New markets tax credit.
- Work opportunity tax credit.
- Indian employment tax credit.
- Qualified zone academy bonds.
- Race horse as three year property.
- Seven year recovery period of motorsports entertainment complexes.
- Accelerated depreciation for business property on an Indian reservation.
- Empowerment zone tax incentives.
- Moratorium on medical device excise tax for sales during 2016 and 2017.
- Alternative fuel vehicle refueling property.
- Credit for energy-efficient home manufacturers.
- Energy-efficient commercial buildings deduction.
- Qualified fuel cell motor vehicles.

Tax Administration Provisions

- IRS employees prohibited from using personal email accounts for official business.
- Release of info regarding the status of certain investigations.
- Termination of employment of IRS employees for taking official actions for political purposes.
- Extend IRS authority to require truncated social security numbers on W-2s.